



BOARD OF DIRECTORS AGENDA REPORT

MEETING DATE: **OCTOBER 23, 2025** ITEM: **10B**

SUBJECT: **Presentation of 2024 Audit by Financial Monitoring & Audit Committee and Vote on Whether or Not to Accept**

DATE: October 17, 2025

FROM: Financial Monitoring & Audit Committee:
Directors Bilezikjian and Pham

PRESENTATION BY: Financial Monitoring & Audit Committee:
Directors Bilezikjian and Pham

Action Item

BACKGROUND

Representatives from Lance Soll & Lunghard, LLP, the audit firm contracted by the District, has completed the 2024 audit and reviewed the draft report with the Financial Monitoring & Audit Committee.

The audit report indicates that the financial statements present fairly, in all material respects, the financial position of the District and respective changes in financial position, and are presented in accordance with generally accepted accounting principles.

The Financial Monitoring and Audit Committee will present the audit document for the Board's approval and filing with the California Department of Food & Agriculture (CDFA).

A copy of the audit is attached.

RECOMMENDATION

The Financial Monitoring & Audit Committee and staff recommend acceptance of the 2024 audit report and filing with CDFA. Additionally, the Committee and staff wish to thank Lance, Soll & Lunghard for their work.



32ND DISTRICT AGRICULTURAL ASSOCIATION OC FAIR & EVENT CENTER

DECEMBER 31, 2024 AND 2023

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

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32ND DISTRICT AGRICULTURAL ASSOCIATION
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FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2024 AND 2023

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FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statements of Net Position | 4 |
| Statements of Revenues, Expenses, and Changes in Net Position | 5 |
| Statements of Cash Flows | 6 |
| Notes to the Financial Statements | 7 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Pension Information | |
| Schedule of Changes in Net Pension Liability and Related Ratios | 26 |
| Schedule of Plan Contributions | 28 |
| Other Post-Employment Benefit Information | |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 30 |
| Schedule of Contributions - OPEB | 32 |
| OTHER REPORT | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 33 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Opinions

We have audited the accompanying financial statements of the 32nd District Agricultural Association, OC Fair & Event Center (32nd DAA), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the 32nd DAA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 32nd DAA, as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 32nd DAA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 32nd DAA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 32nd DAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 32nd DAA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date September 30, 2025 on our consideration of the 32nd DAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 32nd DAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 32nd DAA's internal control over financial reporting and compliance.

LSL, LLP

Irvine, California
September 30, 2025

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR AND EVENT CENTER

STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,016,646 | \$ 2,281,448 |
| Cash Equivalents | 52,984,890 | 52,560,149 |
| Accounts Receivable | 2,195,636 | 2,871,517 |
| Reserve for Bad Debt | (111,905) | (49,643) |
| Prepaid Expenses | 255,475 | 234,901 |
| Total Current Assets | 56,340,742 | 57,898,372 |
| Capital Assets | | |
| Capital Projects in Process | 40,938,455 | 24,997,904 |
| Land | 133,553 | 133,553 |
| Buildings and Improvements | 103,203,426 | 102,454,889 |
| Equipment | 5,380,088 | 4,548,211 |
| Accumulated Depreciation | (68,203,613) | (65,408,602) |
| Total Capital Assets | 81,451,909 | 66,725,955 |
| Total Assets | 137,792,651 | 124,624,327 |
| Deferred Outflow of Resources | | |
| Deferred Outflows - Pension | 8,120,289 | 8,032,979 |
| Deferred Outflows - OPEB | 916,499 | 861,994 |
| Total Deferred Outflows of Resources | 9,036,788 | 8,894,973 |
| Total Assets and Deferred Outflow of Resources | \$ 146,829,439 | \$ 133,519,300 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 3,079,170 | \$ 958,441 |
| Deferred Revenue | 1,715,081 | 2,175,904 |
| Payroll Liabilities | 79,923 | 702,988 |
| Deposits | 14,980 | 26,757 |
| Current Portion of Loan Payable - SB 84 | 1,739,579 | 1,267,192 |
| Current Portion of Compensated Absences Liability | 696,734 | 491,331 |
| Total Current Liabilities | 7,325,467 | 5,622,613 |
| Noncurrent Liabilities | | |
| Loan Payable - SB84 | - | 472,387 |
| Compensated Absences Liability | 1,120,384 | 1,263,582 |
| Pension Liability | 19,102,775 | 19,343,604 |
| OPEB Liability | 5,346,180 | 4,427,396 |
| Total Noncurrent Liabilities | 25,569,339 | 25,506,969 |
| Total Liabilities | 32,894,806 | 31,129,582 |
| Deferred Inflow of Resources | | |
| Deferred Inflows - Pension | 296,657 | 438,072 |
| Deferred Inflows - OPEB | 1,349,989 | 1,502,883 |
| Total Deferred Inflows of Resources | 1,646,646 | 1,940,955 |
| Net Position | | |
| Investment in Capital Assets | 81,451,909 | 66,725,946 |
| Net Position - Designated Use | 504,460 | 504,460 |
| Net Position - Donations | 537,569 | 537,569 |
| Net Position - Available for Operations | 34,789,082 | 39,352,654 |
| Unrestricted Net Position - Pension | (4,977,765) | (6,654,598) |
| Net Position - Auction Fund | (17,268) | (17,268) |
| Total Net Position | 112,287,987 | 100,448,763 |
| Total Liabilities, Deferred Inflow of Resources and Net Position | \$ 146,829,439 | \$ 133,519,300 |

See Independent Auditors' Report and Notes to Financial Statements.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR AND EVENT CENTER**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2024 AND 2023**

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Operating Revenue | | |
| Admissions | \$ 10,870,122 | \$ 13,081,459 |
| Commercial Space | 1,190,236 | 1,174,080 |
| Carnival | 7,844,454 | 7,082,463 |
| Concessions | 11,919,792 | 10,683,804 |
| Exhibits | 115,919 | 86,294 |
| Attractions - Fairtime | 16,022,181 | 9,696,722 |
| Grants | 152,886 | 4,672 |
| Personnel | 2,104,828 | 1,774,895 |
| Event Services | 1,879,923 | 1,738,677 |
| Parking | 7,249,874 | 5,668,921 |
| Sponsorship | 1,776,065 | 1,906,393 |
| Equipment Rental | 792,520 | 743,947 |
| Other Operating | 3,163,790 | 2,675,585 |
| Total Revenue | 65,082,590 | 56,317,912 |
| Operating expenses | | |
| Administration | 22,869,230 | 21,085,120 |
| Maintenance and Operations | 7,212,052 | 6,564,801 |
| Publicity | 1,701,985 | 1,506,370 |
| Misc Fair | 1,691,456 | 255,111 |
| JLA | 262,320 | 249,313 |
| Premiums | 136,127 | 128,168 |
| Fair Entertainment | 7,707,365 | 6,986,139 |
| Depreciation | 2,847,555 | 2,819,505 |
| Pension and other post-employment benefits | 241,831 | (1,143,220) |
| Equipment Rental | 3,160,440 | 2,884,453 |
| Professional Services | 7,658,259 | 7,154,241 |
| Sponsorship | 277,834 | 324,896 |
| Dues & Subscription | 90,664 | 81,711 |
| Total Operating Expenses | 55,857,118 | 48,896,608 |
| Operating Income | 9,225,472 | 7,421,304 |
| Non Operating Revenue and Expenses | | |
| Other Income (Expense) | 2,630,711 | 4,053,668 |
| Cash over (short) | (17,604) | (11,822) |
| Gain / (loss) on disposal of assets | 645 | (157,546) |
| Total non Operating Revenue and Expenses | 2,613,752 | 3,884,300 |
| Net Position | | |
| Change in Net Position | 11,839,224 | 11,305,604 |
| Net Position at January 1 | 100,448,763 | 89,143,159 |
| Net Position at December 31 | \$ 112,287,987 | \$ 100,448,763 |

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR AND EVENT CENTER**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Position | \$ 11,839,224 | \$ 11,305,604 |
| Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities: | | |
| Non-Cash Charges (Credits) to Net Income | | |
| Depreciation Expense | 2,847,555 | 2,819,505 |
| (Gain) / loss on disposal of assets | (645) | 157,546 |
| (Increase) Decrease in Assets and Deferred Outflows | | |
| (Increase) Decrease in Accounts Receivable | 738,143 | (1,727,622) |
| (Increase) Decrease in Prepaid Expenses | (20,574) | (70,398) |
| (Increase) Decrease in Deferred Outflows - Pension | (87,310) | (3,959,808) |
| (Increase) Decrease in Deferred Outflows - OPEB | (54,505) | (87,447) |
| Increase (Decrease) in Liabilities and Deferred Inflows | | |
| Increase (Decrease) in Accounts Payable | 2,120,729 | (118,582) |
| Increase (Decrease) in Deferred Revenue | (460,823) | 1,069,672 |
| Increase (Decrease) in Payroll Liabilities | (623,065) | 257,948 |
| Increase (Decrease) in Deposits | (11,777) | 20,578 |
| Increase (Decrease) in Compensated Absence Liability | 62,205 | 55,668 |
| Increase (Decrease) in Deferred Inflows - Pension | (141,415) | (4,234,336) |
| Increase (Decrease) in Deferred Inflows - OPEB | (152,894) | 433,561 |
| Increase (Decrease) in Net Pension Liability | (240,829) | 8,321,174 |
| Increase (Decrease) in Net OPEB Liability | 918,784 | (1,616,363) |
| Total Adjustments | 4,893,579 | 1,321,096 |
| Net Cash Provided (Used) by Operating Activities | 16,732,803 | 12,626,700 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for acquisition of capital assets | (17,743,882) | (27,303,419) |
| Grant reimbursements on capital assets | 170,373 | - |
| Proceeds from sale of capital assets | 645 | 12,265 |
| Net Cash Provided (Used) by Investing Activities | (17,572,864) | (27,291,154) |
| NET INCREASE (DECREASE) IN CASH | (840,061) | (14,664,454) |
| Cash and Cash Equivalents - Beginning of Period | 54,841,597 | 69,506,051 |
| Cash and Cash Equivalents - End of Period | \$ 54,001,536 | \$ 54,841,597 |
| Cash | \$ 1,016,646 | \$ 2,281,448 |
| Cash Equivalents | 52,984,890 | 52,560,149 |
| Total Cash and Cash Equivalents | \$ 54,001,536 | \$ 54,841,597 |

See Independent Auditors' Report and Notes to Financial Statements.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 1: Summary of Significant Accounting Policies

General

The 32nd District Agricultural Association (32nd DAA) was formed for the purpose of sponsoring, managing, and conducting the business of the OC Fair each year in Costa Mesa, California. The State of California, Department of Food and Agriculture, through the Fairs and Expositions Branch provides oversight responsibilities to the 32nd DAA. The 32nd DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative manual, and the Accounting Procedures Manual established by the Fairs and Expositions Branch.

Basis of Accounting

The accounting policies applied to and procedures used by the 32nd DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The 32nd DAA's activities are accounted for as an Enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the 32nd DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The 32nd DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected and expenses are reported in the year incurred rather than paid.

Cash and Cash Equivalents

The 32nd DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the 32nd DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$75,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Therefore, the 32nd DAA considers all pooled government funds with the LAIF to be cash equivalents.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

In accordance with the Accounting Procedures Manual, the 32nd DAA is authorized to deposit funds in certificates of deposit and interest-bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Accounts Receivable

Accounts receivable consists of trade accounts arising in the normal course of business. Uncollectible accounts are written off after all attempts at collection have been pursued. Accounts receivable are periodically evaluated for collectability based on past credit history, their current financial conditions, and reasonable forecasts taking into account geographical and industry-specific economic factors.

Capital Assets

Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 5 to 30 years and purchases of equipment are depreciated over five years. Capitalized infrastructure assets, such as drainage systems and paving, may be depreciated over 20 to 40 years. Costs of repair and maintenance are expensed as incurred by the 32nd DAA. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related interest income in the case of tax-exempt debt. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the donation. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Capital Projects in Process and no depreciation is recorded on Capital Projects in Process until the project is completed and the asset is placed in service.

The 32nd DAA periodically evaluates whether events or circumstances have occurred that may have resulted in an impairment of its property and equipment. No such impairment occurred in the years ended December 31, 2024 or 2023.

Compensated Absences

Pursuant to Statement No. 16 and No. 101 of the Governmental Accounting Standards Board, state and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, sick, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The 32nd DAA has deferred outflows relating to the net pension liability and net OPEB liability reported in the statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, adjustments due to differences in proportions, and difference in proportionate share.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 32nd DAA has deferred inflows relating to the net pension liability and net OPEB liability are the results of the difference between expected and actual experience, changes in assumptions, adjustments due to differences in proportions, and difference in proportionate share.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the OPEB Plan, the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS), and additions to/deductions from the OPEB plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2023 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

Revenue Recognition

Generally, the 32nd DAA recognizes revenues upon completion of services provided primarily under authorized contractual agreements. Advance payments received are deferred in accrued liabilities and other in the Statements of Net Position until performance is complete. Operating lease revenue is recognized, in part, based on the financial statements provided by the lessee.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New GASB Pronouncements Effective during Fiscal Year: The following Government Accounting Standards Board (GSAB) pronouncement was effective for and implemented for the year ending December 31, 2024:

GASB Statement No. 101, Compensated Absences - The requirements of this Statement will improve financial reporting by implementing a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Establishing the unified model will result in consistent application to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This Statement will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

The District has determined that GASB Statement No. 101 has no significant impact on its financial statements.

Future Implementation of accounting pronouncements: The following Governmental Accounting Standards Board GASB pronouncements are effective in the following fiscal year. Management is currently reviewing their potential impact for proper financial statements implementations.

GASB Statement No. 102— In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerability due to certain concentrations or constraints.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 103— In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104— In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Date of Management's Review

The 32nd DAA has evaluated events through September 30, 2025, the date the financial statements were available to be issued.

Note 2: Cash and Cash Equivalents

The following list of cash and cash equivalents were held by the 32nd DAA as of December 31:

| | 2024 | 2023 |
|---------------------------------|----------------------|----------------------|
| Cash in Bank - Operating | \$ 1,016,646 | \$ 2,281,448 |
| Cash in Bank - LAIF | 52,984,890 | 52,560,149 |
| Total Cash and Cash Equivalents | <u>\$ 54,001,536</u> | <u>\$ 54,841,597</u> |

Investment in State Investment Pool

The 32nd DAA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the 32nd DAA's investment in this pool is reported in the accompanying financial statements at amounts based on the 32nd DAA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF does not impose limits or restrictions on participant withdrawals and the entire balance of the 32nd DAA's investment on the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the 32nd DAA's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2 or 3.

Fair Value Hierarchy

The 32nd DAA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs. At December 31, 2024 and 2023, all of the 32nd DAA's investments are LAIF and are considered uncategorized.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 3: Capital Assets

Capital Assets activity for the year ended December 31, 2024, is as follows:

| | Balance at January 1, 2024 | Transfers | Additions | Deletions | Balance at December 31, 2024 |
|-----------------------------------|-------------------------------|-------------|---------------|--------------|---------------------------------|
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | \$ 102,454,889 | \$ 918,910 | \$ - | \$ (170,373) | \$ 103,203,426 |
| Equipment | 4,548,211 | 877,655 | 6,766 | (52,544) | 5,380,088 |
| Total depreciable capital assets | 107,003,100 | 1,796,565 | 6,766 | (222,917) | 108,583,514 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (61,741,442) | - | (2,376,309) | - | (64,117,751) |
| Machinery and equipment | (3,667,160) | - | (471,246) | 52,544 | (4,085,862) |
| Total accumulated depreciation | (65,408,602) | - | (2,847,555) | 52,544 | (68,203,613) |
| Net depreciable assets | 41,594,498 | 1,796,565 | (2,840,789) | (170,373) | 40,379,901 |
| Capital assets not depreciated: | | | | | |
| Land | 133,553 | - | - | - | 133,553 |
| Capital Projects in Process | 24,997,904 | (1,796,565) | 17,737,116 | - | 40,938,455 |
| Capital assets, net | \$ 66,725,955 | \$ - | \$ 14,896,327 | \$ (170,373) | \$ 81,451,909 |

Capital Assets activity for the year ended December 31, 2023, is as follows:

| | Balance at January 1, 2023 | Transfers | Additions | Deletions | Balance at December 31, 2023 |
|-----------------------------------|-------------------------------|--------------|---------------|--------------|---------------------------------|
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | \$ 99,323,559 | \$ 3,427,076 | \$ 19,762 | \$ (315,508) | \$ 102,454,889 |
| Equipment | 8,774,011 | 583,973 | 123,741 | (4,933,514) | 4,548,211 |
| Total depreciable capital assets | 108,097,570 | 4,011,049 | 143,503 | (5,249,022) | 107,003,100 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (59,503,362) | - | (2,406,827) | 168,747 | (61,741,442) |
| Machinery and equipment | (8,164,946) | - | (411,786) | 4,909,572 | (3,667,160) |
| Total accumulated depreciation | (67,668,308) | - | (2,818,613) | 5,078,319 | (65,408,602) |
| Net depreciable assets | 40,429,262 | 4,011,049 | (2,675,110) | (170,703) | 41,594,498 |
| Capital assets not depreciated: | | | | | |
| Land | 133,553 | - | - | - | 133,553 |
| Capital Projects in Process | 1,849,037 | (4,011,049) | 27,159,916 | - | 24,997,904 |
| Capital assets, net | \$ 42,411,852 | \$ - | \$ 24,484,806 | \$ (170,703) | \$ 66,725,955 |

Depreciation expense for years ended December 31, 2024 and 2023 was \$2,847,555 and \$2,819,505, respectively.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 4: Defined Benefit Pension Plan

Description of Plan

The 32nd DAA contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the 32nd DAA's Miscellaneous Plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions under the Plans are established by State statute and the 32nd DAA's Board of Directors. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans provisions and benefits in effect at December 31, 2024 and December 31, 2023, are summarized as follows:

| | Tier I* | Tier II |
|---|--------------------|--------------------|
| | Prior to | January 1, 2013 |
| Hire date | January 1, 2013 | and after |
| Benefit formula | 2.5% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 and up | 52 and up |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 3.75% |
| Required employer contribution rates | 10.00% | - |

* Plan is closed to new entrants

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 32nd DAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 4: Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2024, the contributions recognized as an increase to the net pension liability were \$2,589,799.

For the year ended December 31, 2023, the contributions recognized as an increase to the net pension liability were \$2,536,945.

Net Pension Liability

As of December 31, 2024 and December 31, 2023, the 32nd DAA reported a net pension liability for its proportionate share of the net pension liability of \$19,102,775 and \$19,343,604, respectively.

The 32nd DAA's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022. The 32nd DAA's proportion of the net pension liability was based on a projection of the 32nd DAA's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The 32nd DAA's proportionate share of the net pension liability was 0.04972% as of June 30, 2023, an decrease of 0.0015% from the prior year.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

For the measurement period ended June 30, 2023 (the measurement date), the June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability. The June 30, 2023 total pension liability were based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with requirements of GASB Statement No. 68. |
| Actuarial Assumptions | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Variable by Entry Age and Service |
| Investments Rate of Return | 6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation. |
| Mortality Rate Table (1) | Derived used CalPERS' Membership Data for all Funds. |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor of Purchasing Power applies, 2.30% thereafter. |

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 4: Defined Benefit Pension Plan (Continued)

The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with requirements of GASB Statement No. 68. |
| Actuarial Assumptions | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Variable by Entry Age and Service |
| Investments Rate of Return | 6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation. |
| Mortality Rate Table (1) | Derived used CalPERS' Membership Data for all Funds. |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor of Purchasing Power applies, 2.30% thereafter. |

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 4: Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

| Asset Class (1) | Assumed Asset Allocation | Real Return(1)(2) |
|----------------------------------|-------------------------------------|--------------------------|
| Global Equity - Cap-weighted | 30.00% | 4.54% |
| Global Equity - Non-Cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-back Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |
| Total | 100.00% | |

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management Study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

The 32nd DAA's portion of net pension liability recognized over the measurement period is \$19,102,775 for the Plan.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 4: Defined Benefit Pension Plan (Continued)

The DAA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The DAA's proportion of the net pension liability was based on a projection of the DAA's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The 32nd DAA's proportionate share of the net pension liability for the Plans as of June 30, 2022 and 2023 was as follows:

| | |
|------------------------------|----------------|
| Proportion - June 30, 2022 | 0.0512% |
| Proportion - June 30, 2023 | <u>0.0497%</u> |
| Change - Increase (Decrease) | -0.0015% |
| Proportion - June 30, 2021 | 0.0495% |
| Proportion - June 30, 2022 | <u>0.0512%</u> |
| Change - Increase (Decrease) | 0.0017% |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90 and 6.90 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

For measurement period ended June 30, 2023

| | Discount Rate -1% | Current Discount | Discount Rate +1% |
|--|--------------------------|-------------------------|--------------------------|
| | (5.90%) | Rate (6.90%) | (7.90%) |
| Plan's Net Pension Liability/(Assets) | \$ 27,717,576 | \$ 19,102,775 | \$ 11,910,372 |

For measurement period ended June 30, 2022

| | Discount Rate -1% | Current Discount | Discount Rate +1% |
|--|--------------------------|-------------------------|--------------------------|
| | (5.90%) | Rate (6.90%) | (7.90%) |
| Plan's Net Pension Liability/(Assets) | \$ 27,834,068 | \$ 19,343,603 | \$ 12,255,345 |

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 4: Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2022), the net pension liability was \$19,102,775. For the measurement period ending June 30, 2023, (the measurement date), the 32nd DAA incurred a pension expense of \$2,058,526 for the Plan.

As of June 30, 2023, the following were the reported deferred outflows of resources and deferred inflows of resources related to the pension plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Current year contributions that occurred after the measurement date of June 30, 2023 | \$ 3,900,681 | \$ - |
| Change of assumption | 991,559 | - |
| Difference between expected and actual experiences | 915,424 | (296,657) |
| Net difference between projected and actual earnings on pension plan investments | 2,312,625 | - |
| Total | \$ 8,120,289 | \$ (296,657) |

As of the start of the measurement period (July 1, 2021), the net pension liability was \$19,343,604. For the measurement period ending June 30, 2022, (the measurement date), the 32nd DAA incurred a pension expense of \$2,663,975 for the Plan.

As of June 30, 2022, the following were the reported deferred outflows of resources and deferred inflows of resources related to the pension plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Current year contributions that occurred after the measurement date of June 30, 2022 | \$ 3,742,118 | \$ - |
| Change of assumption | 1,464,231 | - |
| Difference between expected and actual experiences | 305,866 | (438,072) |
| Net difference between projected and actual earnings on pension plan investments | 2,520,764 | - |
| Total | \$ 8,032,979 | \$ (438,072) |

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 4: Defined Benefit Pension Plan (Continued)

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

For measurement period ended June 30, 2023:

| Measurement Period ended June 30: | Deferred Outflows/(Inflows) of Resources |
|--|---|
| 2024 | \$ 1,068,178 |
| 2025 | 819,233 |
| 2026 | 1,893,454 |
| 2027 | 142,086 |
| Total | <u>\$ 3,922,951</u> |

For measurement period ended June 30, 2022:

| Measurement Period ended June 30: | Deferred Outflows/(Inflows) of Resources |
|--|---|
| 2023 | \$ 926,377 |
| 2024 | 777,748 |
| 2025 | 521,530 |
| 2026 | 1,627,134 |
| Total | <u>\$ 3,852,789</u> |

Note 5: Loan Payable SB-84

Chapter 50, Statutes of 2017 (SB 84), authorized the State to make a one-time \$6 billion supplemental pension payment to CalPERS in 2017-2018, in addition to the annual State contribution. The additional pension payment is funded through a non-interest bearing loan from the Surplus Money Investment Fund (SMIF). SB 84 requires the repayment of the loan principal be made from the General Fund and other funds and accounts (Funds) that are required by law to fund the state's employer contribution to the Public Employees' Retirement Fund. Pursuant to the 2018 Budget Act, the \$6 billion supplemental pension payment funded by the loan from the SMIF is estimated to result in net savings of \$4.8 billion. SB 84 requires all Funds to fully repay their principal by June 30, 2030. During the year ended 2019, the 32nd DAA established a loan payable to the SMIF for the principal of \$1,739,579. As of December 31, 2024, the amount remaining on the loan payable to SMIF was \$1,739,579. During the years ended 2024, 2023, 2022 and 2021, the payments were deferred by the State. The 32nd DAA is currently working with the State to determine the manner of payment. The 2021, 2022, 2023 and 2024 payments are currently classified as a current liability.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 5: Loan Payable SB-84 (Continued)

Future minimum loan repayments are as follows:

| Fiscal year ended December 31, 2024 | | Fiscal year ended December 31, 2023 | |
|-------------------------------------|--------------|-------------------------------------|--------------|
| December 31, | Amount | December 31, | Amount |
| 2025 | \$ 1,739,579 | 2024 | \$ 1,267,192 |
| | | 2025 | 472,387 |
| Total | \$ 1,739,579 | Total | \$ 1,739,579 |

Note 6: Compensated Absences

The 32nd DAA's policies relating to compensated absences are described in Note 1. The liability will be paid in future years as it becomes due.

| | Balance at December 31, 2023 | Additions | Reductions | Balance at December 31, 2024 | Due in One Year |
|----------------------|---------------------------------|-------------|------------|---------------------------------|--------------------|
| Compensated Absences | \$ 1,754,913 | \$ 62,205 * | \$ - | \$ 1,817,118 | \$ 696,734 |

| | Balance at December 31, 2022 | Additions | Reductions | Balance at December 31, 2023 | Due in One Year |
|----------------------|---------------------------------|-------------|------------|---------------------------------|--------------------|
| Compensated Absences | \$ 1,699,245 | \$ 55,668 * | \$ - | \$ 1,754,913 | \$ 491,331 |

* The change in the compensated absences liability is presented as a net change, per GASB Statement No. 101.

Note 7: Taxation

Because the OC Fair & Event Center is not a legal entity and is under the District Agricultural Association, which is a state agency, it is not subject to taxation by federal or state authorities. All profits and losses flow to the District Agricultural Association and are subject to the tax regulations governing that entity.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 8: Other Post-Employment Benefits

Description of Plan

The 32nd DAA provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). OPEB addresses unfunded retirement health care by prefunding future health benefits for retired members. Prefunding OPEB is negotiated through the state collective bargaining process and pursuant to Government Code sections 22940 through 22944.5. OPEB contributions are deducted from the total pensionable compensation of each pay period. Pensionable compensation is any pay that is subject to retirement contribution, e.g. regular pay, Industrial Disability Leave, holiday pay, pay differentials, shift differential, and special pay. Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, California 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Net OPEB Liability

At December 31, 2024 and December 31, 2023, the 32nd DAA reported a liability of \$5,346,180 and \$4,427,396, respectively, for its proportionate share of the net OPEB liability. the 32nd DAA covered payroll is used as the basis for determining its proportion of the OPEB amounts. At December 31, 2024 and December 31, 2023, the 32nd DAA proportion was 0.0151% and 0.0129%, respectively, an increase of 0.0022% from the prior year.

The 32nd DAA's net OPEB liability was measured as of June 30, 2023 and June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 and June 30, 2023 to determine the December 31, 2024 and December 31, 2023, total OPEB liability, based on the following actuarial methods and assumptions:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions | |
| Discount Rate | 6.00% |
| Inflation | 2.30% |
| Salary Increases | Varies by age and service |
| Investments Rate of Return | 6.00% net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses |
| Mortality Rate Table | 2021 CalPERS Experience Study |
| Mortality Improvement | Post-retirement mortality projected fully generational with Scale MP-2020 |
| Healthcare Trend Rate | Pre-Medicare coverage: Actual rates for 2024, increasing to 7.00% in 2025, grading down to 4.50% from 2030 to 2038, and 4.25% for 2039 and later years. Post-Medicare coverage: Actual rates for 2024, increasing to rates ranging from 7.00% to 7.66% in 2025, grading down to 4.50% from 2035 to 2038, and 4.25% for 2039 and later years. Dental coverage: 0.23% for 2024, 2.00% for 2025, 3.00% for 2026, 4.00% for 2027, and 4.25% for 2028 and later years. |

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 8: Other Post-Employment Benefits (Continued)

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions | |
| Discount Rate | 6.00% |
| Inflation | 2.30% |
| Salary Increases | Varies by age and service |
| Investments Rate of Return | 6.00% net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses |
| Mortality Rate Table | 2021 CalPERS Experience Study |
| Mortality Improvement | Post-retirement mortality projected fully generational with Scale MP-2020 |
| Healthcare Trend Rate | Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years. Dental coverage: 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years. |

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Real Return Years 1-10 | Real Return Years 11-40 |
|--------------------|--------------------------|-------------------------------|--------------------------------|
| Global Equity | 49.00% | 4.40% | 4.50% |
| Fixed income | 23.00% | -1.00% | 2.20% |
| TIPS | 5.00% | -1.80% | 1.30% |
| REITS | 20.00% | 3.00% | 3.90% |
| Commodities | 3.00% | 0.80% | 1.20% |
| Total | 100.00% | | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 8: Other Post-Employment Benefits (Continued)

Changes in the OPEB Liability

The 32nd DAA's portion of net OPEB liability recognized over the measurement period is \$5,346,180 for the Plan.

The DAA's net OPEB liability for the Plan is measured as the proportionate share of the net pension liability. The net OPEB liability is measured as of June 30, 2023, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The DAA's proportion of the net OPEB liability was based on a projection of the DAA's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The 32nd DAA's proportionate share of the net OPEB liability for the Plans as of June 30, 2021, 2022 and 2023 are as follows:

| | |
|------------------------------|----------------|
| Proportion - June 30, 2022 | 0.0129% |
| Proportion - June 30, 2023 | <u>0.0151%</u> |
| Change - Increase (Decrease) | 0.0022% |
| Proportion - June 30, 2021 | 0.0149% |
| Proportion - June 30, 2022 | <u>0.0129%</u> |
| Change - Increase (Decrease) | -0.0020% |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the 32nd DAA if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

For measurement period ended June 30, 2023:

| | 1% Decrease 7.00% | Current Discount Rate 6.00% | 1% Increase 5.00% |
|------------------------------|------------------------------|--|------------------------------|
| Net OPEB Liability / (Asset) | \$ 6,257,916 | \$ 5,346,180 | \$ 4,604,441 |

For measurement period ended June 30, 2022:

| | 1% Decrease 7.00% | Current Discount Rate 6.00% | 1% Increase 5.00% |
|------------------------------|------------------------------|--|------------------------------|
| Net OPEB Liability / (Asset) | \$ 5,170,144 | \$ 4,427,396 | \$ 3,823,429 |

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 8: Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the 32nd DAA if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate.

For measurement period ended June 30, 2023:

| | 1% Decrease Trend Rate | Current Healthcare Cost Trend Rates | 1% Increase Trend Rate |
|------------------------------|-----------------------------------|--|-----------------------------------|
| Net OPEB Liability / (Asset) | \$ 4,705,687 | \$ 5,346,180 | \$ 6,156,932 |

For measurement period ended June 30, 2022:

| | 1% Decrease Trend Rate | Current Healthcare Cost Trend Rates | 1% Increase Trend Rate |
|------------------------------|-----------------------------------|--|-----------------------------------|
| Net OPEB Liability / (Asset) | \$ 3,771,210 | \$ 4,427,396 | \$ 5,259,741 |

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that includes financial statements and required supplementary information.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2024 and December 31, 2023, the 32nd DAA recognized OPEB expense/(income) of \$267,295 and \$265,659, respectively. As of December 31, 2024 and December 31, 2023, the 32nd DAA reported deferred outflows of resources related to OPEB from the following sources:

For measurement period ended June 30, 2023:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| OPEB contributions subsequent to measurement date | \$ 398,401 | \$ - |
| Differences between expected and actual experiences | 192,516 | 458,625 |
| Changes of assumptions | 287,044 | 878,190 |
| Net difference between projected and actual earnings on OPEB plan investments | 38,538 | 13,174 |
| Total | \$ 916,499 | \$ 1,349,989 |

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Note 8: Other Post-Employment Benefits (Continued)

For measurement period ended June 30, 2022:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| OPEB contributions subsequent to measurement date | \$ 391,088 | \$ - |
| Differences between expected and actual experiences | 158,248 | 530,092 |
| Changes of assumptions | 268,636 | 958,654 |
| Net difference between projected and actual earnings on OPEB plan investments | 44,022 | 14,137 |
| Total | \$ 861,994 | \$ 1,502,883 |

The \$398,401 and \$391,088 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending December 31, 2024 and December 31, 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

For measurement period ended June 30, 2023:

| Period ended June 30: | Outflows/(Inflows) of Resources |
|----------------------------------|--|
| 2024 | \$ (224,577) |
| 2025 | (152,444) |
| 2026 | (147,663) |
| 2027 | (149,069) |
| 2028 | (120,446) |
| Therafter | (37,692) |
| Total | \$ (831,891) |

For measurement period ended June 30, 2022:

| Period ended June 30: | Outflows/(Inflows) of Resources |
|----------------------------------|--|
| 2023 | \$ (270,606) |
| 2024 | (199,161) |
| 2025 | (137,306) |
| 2026 | (133,430) |
| 2027 | (134,825) |
| Therafter | (156,649) |
| Total | \$ (1,031,977) |

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service Cost | \$ 748,868 | \$ 750,548 | \$ 802,127 | \$ 926,224 | \$ 977,848 |
| Interest | 3,380,550 | 3,318,301 | 3,471,082 | 3,546,766 | 3,789,751 |
| Changes in Assumptions | - | - | - | 2,723,396 | (689,461) |
| Difference between Expected and Actual Experience | - | 330,190 | (48,733) | (185,982) | 223,093 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,455,058) | (2,426,887) | (2,570,212) | (2,677,816) | (2,935,832) |
| Net Change in Total Pension Liability | 1,674,360 | 1,972,152 | 1,654,264 | 4,332,588 | 1,365,400 |
| Total Pension Liability - Beginning | 45,043,287 | 43,884,464 | 46,306,397 | 47,943,508 | 54,448,870 |
| Total Pension Liability - Ending (a) | \$ 46,717,647 | \$ 45,856,616 | \$ 47,960,660 | \$ 52,276,096 | \$ 55,814,270 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Contributions - Employer | \$ 1,092,729 | \$ 1,241,850 | \$ 1,354,794 | \$ 1,487,191 | \$ 3,525,671 |
| Contributions - Employee | 388,631 | 367,038 | 385,048 | 405,452 | 435,633 |
| Net Investment Income | 5,255,510 | 716,439 | 163,238 | 3,522,168 | 3,066,917 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,455,058) | (2,426,887) | (2,570,212) | (2,677,816) | (2,935,832) |
| Net Plan to Plan Resource Movement | - | (168) | (555) | (1,315) | (671) |
| Administrative Expense | (43,821) | (36,501) | (19,948) | (47,292) | (56,352) |
| Other Miscellaneous Income/(Expense) | - | - | - | - | (107,013) |
| Net Change in Fiduciary Net Position | 4,237,992 | (138,229) | (687,634) | 2,688,388 | 3,928,353 |
| Plan Fiduciary Net Position - Beginning | 30,414,439 | 32,550,940 | 32,730,628 | 32,031,535 | 36,163,003 |
| Plan Fiduciary Net Position - Ending (b) | \$ 34,652,431 | \$ 32,412,711 | \$ 32,042,995 | \$ 34,719,923 | \$ 40,091,356 |
| Plan Net Pension Liability/(Assets) - Ending (a) - (b) | \$ 12,065,217 | \$ 13,443,905 | \$ 15,917,666 | \$ 17,556,172 | \$ 15,722,914 |
| Plan Fiduciary Net Position as a Percentage of the Total | 74.17% | 70.68% | 66.81% | 66.42% | 71.83% |
| Covered Payroll | \$ 4,926,887 | \$ 5,016,196 | \$ 5,394,440 | \$ 5,596,179 | \$ 6,023,460 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll | 244.89% | 268.01% | 295.08% | 313.72% | 261.03% |

Notes to Schedule:

Benefit Changes:

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions:

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service Cost | \$ 1,105,164 | \$ 1,124,594 | \$ 1,093,997 | \$ 1,247,587 | \$ 1,276,050 |
| Interest | 4,311,985 | 4,384,866 | 4,254,392 | 4,478,456 | 4,556,776 |
| Changes in Assumptions | - | - | - | 1,907,937 | - |
| Difference between Expected and Actual Experience | 1,099,536 | 392,800 | 310,722 | (570,822) | 1,046,868 |
| Benefit Payments, Including Refunds of Employee Contributions | (3,349,116) | (3,446,103) | (3,387,908) | (3,671,019) | (3,763,100) |
| Net Change in Total Pension Liability | 3,167,570 | 2,456,157 | 2,271,202 | 3,392,140 | 3,116,595 |
| Total Pension Liability - Beginning | 60,329,926 | 62,094,751 | 60,338,218 | 64,779,755 | 66,236,895 |
| Total Pension Liability - Ending (a) | \$ 63,497,496 | \$ 64,550,908 | \$ 62,609,420 | \$ 68,171,895 | \$ 69,353,491 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Contributions - Employer | \$ 2,043,574 | \$ 2,649,702 | \$ 1,868,479 | \$ 2,614,690 | \$ 3,117,828 |
| Contributions - Employee | 510,141 | 532,121 | 458,982 | 553,515 | 568,947 |
| Net Investment Income | 2,793,202 | 2,189,231 | 9,543,620 | (4,009,361) | 2,920,503 |
| Benefit Payments, Including Refunds of Employee Contributions | (3,349,116) | (3,446,103) | (3,387,908) | (3,671,019) | (3,763,100) |
| Net Plan to Plan Resource Movement | (727) | (2,229) | (1,265) | (1,309) | (919) |
| Administrative Expense | (30,925) | (62,453) | (43,104) | (33,249) | (34,887) |
| Other Miscellaneous Income/(Expense) | 100 | - | - | (2) | (1) |
| Net Change in Fiduciary Net Position | 1,966,249 | 1,860,269 | 8,438,804 | (4,546,737) | 2,808,371 |
| Plan Fiduciary Net Position - Beginning | 43,334,949 | 44,300,435 | 43,148,186 | 53,375,028 | 47,442,345 |
| Plan Fiduciary Net Position - Ending (b) | \$ 45,301,198 | \$ 46,160,704 | \$ 51,586,989 | \$ 48,828,291 | \$ 50,250,715 |
| Plan Net Pension Liability/(Assets) - Ending (a) - (b) | \$ 18,196,297 | \$ 18,390,205 | \$ 11,022,430 | \$ 19,343,604 | \$ 19,102,775 |
| Plan Fiduciary Net Position as a Percentage of the Total | 71.34% | 71.51% | 82.39% | 71.63% | 72.46% |
| Covered Payroll | \$ 6,810,231 | \$ 7,011,185 | \$ 6,876,161 | \$ 7,215,659 | \$ 7,440,526 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll | 267.19% | 262.30% | 160.30% | 268.08% | 256.74% |

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------------------|-------------------|-------------------|-------------------|-----------------------|
| Actuarially Determined Contribution | \$ 1,088,016 | \$ 1,236,710 | \$ 1,349,296 | \$ 1,481,615 | \$ 1,717,939 |
| Contribution in Relation to the Actuarially Determined Contribution | (1,092,729) | (1,241,850) | (1,354,794) | (1,487,191) | (3,525,671) |
| Contribution Deficiency (Excess) | <u>\$ (4,713)</u> | <u>\$ (5,140)</u> | <u>\$ (5,498)</u> | <u>\$ (5,577)</u> | <u>\$ (1,807,732)</u> |
| Covered Payroll | \$ 4,926,887 | \$ 5,016,196 | \$ 5,394,440 | \$ 5,596,179 | \$ 6,023,460 |
| Contributions as a Percentage of Covered Payroll | 22.18% | 24.76% | 25.11% | 26.58% | 58.53% |

Note to Schedule:

Valuation Date: June 30, 2022

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|-------------------------------------|
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization method | Level percentage of payroll, closed |
| Asset valuation method | Fair value of assets |
| Inflation | 2.30% |
| Payroll Growth | 2.80% |
| Projected Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | |

Retirement Age

Mortality

6.8% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially Determined Contribution | \$ 2,036,755 | \$ 2,211,185 | \$ 1,862,117 | \$ 2,164,667 | \$ 2,355,724 |
| Contribution in Relation to the Actuarially Determined Contribution | <u>(2,043,574)</u> | <u>(2,649,702)</u> | <u>(1,868,479)</u> | <u>(2,614,690)</u> | <u>(3,117,828)</u> |
| Contribution Deficiency (Excess) | <u>(6,819)</u> | <u>(438,517)</u> | <u>(6,362)</u> | <u>(450,022)</u> | <u>(762,105)</u> |
| Covered Payroll | 6,810,231 | 7,011,185 | 6,876,161 | 7,215,659 | 7,440,526 |
| Contributions as a Percentage of Covered Payroll | 30.01% | 37.79% | 27.17% | 36.24% | 41.90% |

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | 2018 | 2019 | 2020 | 2021 |
|--|-------------------|-------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 20,121 | \$ 17,606 | \$ 103,509 | \$ 329,838 |
| Interest on the total OPEB liability | 18,483 | 20,727 | 120,152 | 354,628 |
| Actual and expected experience difference | - | (43,490) | (57,547) | (271,681) |
| Changes in assumptions | (52,071) | (19,987) | 2,588,346 | 6,623,184 |
| Benefit payments | (13,302) | (13,707) | (86,821) | (280,480) |
| Net change in total OPEB liability | (26,769) | (38,851) | 2,667,639 | 6,755,489 |
| Total OPEB liability - beginning | 544,862 | 518,093 | 479,242 | 3,146,881 |
| Total OPEB liability - ending (a) | 518,093 | 479,242 | 3,146,881 | 9,902,370 |
| Plan Fiduciary Net Position | | | | |
| Contribution - employer | 13,431 | 14,700 | 95,619 | 335,414 |
| Contribution - employees | 129 | 994 | 8,798 | 54,934 |
| Net investment income | 105 | 126 | 1,435 | 4,113 |
| Benefit payments | (13,302) | (13,707) | (86,821) | (280,480) |
| Administrative expense | - | (1) | (8) | (61) |
| Other miscellaneous income/expense | - | - | 3,716 | 49,803 |
| Net change in plan fiduciary net position | 363 | 2,112 | 22,739 | 163,723 |
| Plan fiduciary net position - beginning | 862 | 1,225 | 3,337 | 26,076 |
| Plan fiduciary net position - ending (b) | \$ 1,225 | \$ 3,337 | \$ 26,076 | \$ 189,799 |
| Net OPEB Liability - ending (a) - (b) | \$ 516,868 | \$ 475,905 | \$ 3,120,805 | \$ 9,712,571 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.24% | 0.70% | 0.83% | 1.92% |

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in assumptions: In 2019, the mortality improvement scale was updated to the Society of Actuaries Scale MP-2019. In December 2019, the ACA Excise Tax was repealed and removed from the actuarial assumptions.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | 2022 | 2023 | 2024 |
|--|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 219,411 | \$ 203,380 | \$ 178,961 |
| Interest on the total OPEB liability | 197,058 | 148,259 | 230,306 |
| Actual and expected experience difference | (479,035) | 183,151 | 15,615 |
| Changes in assumptions | (3,408,992) | (1,884,418) | 57,236 |
| Benefit payments | (185,396) | (176,963) | 570,869 |
| Net change in total OPEB liability | (3,656,954) | (1,526,591) | 1,052,987 |
| Total OPEB liability - beginning | 9,902,370 | 6,245,416 | 4,718,825 |
| Total OPEB liability - ending (a) | 6,245,416 | 4,718,825 | 5,771,812 |
| Plan Fiduciary Net Position | | | |
| Contribution - employer | 185,396 | 214,568 | 259,982 |
| Contribution - employees | 45,966 | 85,031 | 54,966 |
| Net investment income | 37,043 | (39,675) | 24,374 |
| Benefit payments | (185,396) | (170,093) | (205,016) |
| Administrative expense | (53) | (59) | (103) |
| Other miscellaneous income/expense | (71,098) | - | - |
| Net change in plan fiduciary net position | 11,858 | 89,772 | 134,203 |
| Plan fiduciary net position - beginning | 189,799 | 201,657 | 291,429 |
| Plan fiduciary net position - ending (b) | \$ 201,657 | \$ 291,429 | \$ 425,632 |
| Net OPEB Liability - ending (a) - (b) | \$ 6,043,759 | \$ 4,427,396 | \$ 5,346,180 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 3.23% | 6.18% | 7.37% |

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

SCHEDULE OF CONTRIBUTIONS - OPEB
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------------------|------------------|------------------|-------------------|------------------|--------------------|------------------|
| Actuarially Determined Contribution | \$ 25,253 | \$ 25,150 | \$ 149,855 | \$ 450,507 | \$ 301,064 | \$ 213,662 | \$ 1,441,489 |
| Contribution in Relation to the Actuarially Determined Contributions | (13,431) | (14,700) | (95,619) | (335,414) | (231,362) | (255,124) | (1,369,690) |
| Contribution Deficiency (Excess) | <u>\$ 11,822</u> | <u>\$ 10,450</u> | <u>\$ 54,236</u> | <u>\$ 115,093</u> | <u>\$ 69,702</u> | <u>\$ (41,462)</u> | <u>\$ 71,799</u> |
| Expected return on assets | \$ 72 | \$ 160 | \$ 1,098 | \$ 8,768 | \$ 9,536 | \$ 14,119 | \$ 108,426 |
| Percentage of ADC made by employer | 53.19% | 58.45% | 63.81% | 74.45% | 76.85% | 119.41% | 95.02% |

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Methods and assumptions used to determine contributions:

| | |
|--|--|
| Valuation Date | June 30, 2023 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 6.00% |
| General Inflation | 2.30% |
| Payroll Growth | Varies by age and service |
| Mortality, Disability, Termination, Retirement | 2021 CalPERS Experience Study; Mortality Improvement - Mortality projected fully generational with Scale MP-2020 |
| Medical Trend | Pre-Medicare - Actual rates for 2024, increasing to 7.00% in 2025, grading down to 4.50% from 2030 to 2038, and 4.25% for 203 and later years. Post-Medicare - Actual rates for 2024, increasing to rates ranging from 7.00% to 7.66% in 2025, grading down to 4.50% from 2035 to 2038, and 4.25% for 2039 and later years. Dental - 0.23% for 2024, 2.00% for 2025, 3.00% for 2026, 4.00% for 2027, and 4.25% for 2028 and later years. |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 32nd District Agricultural Association, OC Fair & Event Center (32nd DAA), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise 32nd DAA's basic financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 32nd DAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 32nd DAA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 32nd DAA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 32nd DAA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 32nd DAA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 32nd DAA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Irvine, California
September 30, 2025



September 30, 2025

To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

We have audited the financial statements of the business-type activities of 32nd District Agricultural Association, OC Fair & Event Center ("32nd DAA") for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 12, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 32nd DAA are described in notes to the financial statements. As described in Note 1 to the financial statements, the 22nd DAA changed accounting policies related to Compensated Absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, Compensated Absences, in 2025. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statements. We noted no transactions entered into by 32nd DAA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The schedule below summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

| <u>Unadjusted Audit Differences</u> | <u>Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity</u> |
|---|--|
| None | \$ - |
| Cumulative effect (before effect of prior year differences) | - |
| Effect of unadjusted audit difference - prior year | (114,639) |
| Cumulative effect (after effect of prior year differences) | <u>\$ (114,639)</u> |

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 32nd DAA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as 32nd DAA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Plan Contributions, Schedule of Changes in Net Pet OPEB Liability and Related Ratios, and Schedule of Contributions - OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The following new Government Accounting Standards Board (GASB) pronouncements was effective for the fiscal year 2024 audit:

GASB Statement No. 101, Compensated Absences.

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2025

GASB Statement No. 102, Certain Risk Disclosures.

Fiscal year 2026

GASB Statement No. 103, Financial Reporting Model Improvements.

GASB Statement No. 104, Disclosures of Certain Capital Assets.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors, Audit Committee and management of 32nd DAA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

LSL, LLP

Irvine, California